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University of New Orleans Foundation

***Financial Statements and Additional Information
for the Year Ended June 30, 2005, and
Independent Auditors' Report***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/8/06

UNIVERSITY OF NEW ORLEANS FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the University of New Orleans Foundation (the "Foundation") as of June 30, 2005, and the related statement of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 14 to the financial statements, Hurricane Katrina struck the New Orleans area subsequent to June 30, 2005, which caused damage to certain of the Foundation's properties. The amounts to be recovered under insurance policies are uncertain at this time.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of June 30, 2005, and the changes in its net assets and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 11, 2005, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

November 11, 2005

**UNIVERSITY OF NEW ORLEANS FOUNDATION
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 2005**

ASSETS

Current Assets

Cash and cash equivalents	\$ 21,811
Accrued interest receivable	
Investments - short term	1,130,743
Accounts receivable, net	963,830
Unconditional promises to give, net	641,500
Inventories	27,824
Deferred charges and prepaid expenses	41,415
Other current assets	168,356
Total current assets	<u>2,995,479</u>

Noncurrent Assets

Restricted assets:	
Cash and cash equivalents	
Investments	48,950,668
Accounts receivable, net	
Notes receivable	
Other	
Investments	125,411
Unconditional promises to give, net	652,677
Notes receivable	
Property and equipment, net	10,038,017
Assets under capital leases, net	807,339
Other noncurrent assets	114,579
Total noncurrent assets	<u>60,688,691</u>
Total assets	\$ 63,684,170

LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	\$ 773,654
Deferred revenues	2,291
Amounts held in custody for others	1,459,547
Compensated absences payable	
Current portion of capital lease obligations	20,494
Current portion of notes payable	3,544,219
Current portion of bonds payable	106,000
Other current liabilities—due to University	711,847
Total current liabilities	<u>6,618,052</u>

Noncurrent Liabilities

Amounts held in custody for others	12,304,539
Compensated absences payable	
Capital lease obligations, net of current portion	765,426
Notes payable, net of current portion	
Bonds payable, net of current portion	1,618,000
Other noncurrent liabilities	
Total noncurrent liabilities	<u>14,687,965</u>
Total liabilities	<u>21,306,017</u>

NET ASSETS

Unrestricted	3,872,847
Temporarily restricted	8,214,016
Permanently restricted	30,291,290
Total net assets	<u>42,378,153</u>
Total Liabilities and Net Assets	\$ 63,684,170

See Notes to financial statements.

**UNIVERSITY OF NEW ORLEANS FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

Changes in unrestricted net assets:

Contributions	\$ 150,111
Investment earnings	496,580
Service fees	1,049,185
Other revenues:	
Property operations	1,674,388
All Other	
Total unrestricted revenues	<u>3,370,264</u>
Net assets released from restrictions:	
Satisfaction of program expenses	<u>6,121,605</u>
Total unrestricted revenues and other support	<u>9,491,869</u>

Expenses:

Amounts paid to benefit University of New Orleans for:	
Projects specified by donors	
Projects specified by the Board of Directors	
Other:	
Property operations	737,193
All other	<u>5,920,137</u>
Total program expenses	<u>6,657,330</u>

Supporting services:

Salaries and benefits	1,029,304
Occupancy	18,554
Office operations	62,423
Travel	8,145
Professional services	388,653
Dues and subscriptions	12,149
Meetings and development	138,018
Depreciation	217,025
Provision for uncollectible accounts	178,069
Merchandise expense	519
Loss on sale of assets	125,232
Other	<u>201,088</u>
Total supporting services	<u>2,379,179</u>

Total expenses	<u>9,036,509</u>
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Increase in unrestricted net assets	<u>455,360</u>
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Changes in temporarily restricted net assets:

Contributions	2,458,212
Grants	664,746
Investment earnings	2,702,762
Other	<u>501,394</u>
Total temporarily restricted revenues	<u>6,327,114</u>
Net assets released from restrictions:	
Satisfaction of program expenses	(6,121,605)
Transfer of restricted earnings to permanently restricted endowment principal	<u>(817,244)</u>
Decrease in temporarily restricted net assets	<u>(611,735)</u>

Changes in permanently restricted net assets:

Contributions	803,923
Release of contributions pledged	
Investment earnings (losses)	(1,941)
Transfer of restricted earnings to permanently restricted endowment principal	817,244
Other	<u>2,986</u>
Increase in permanently restricted net assets	<u>1,622,212</u>

Increase/(decrease) in net assets	<u>1,465,837</u>
Net assets at beginning of year	<u>40,912,316</u>
Net assets at end of year	<u>\$ 42,378,153</u>

See Notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2005

OPERATING ACTIVITIES:

Increase in net assets	\$ 1,465,837
Adjustments to reconcile change in net assets to cash used in operating activities:	
Depreciation	217,025
Provision for doubtful accounts	178,069
Loss on sale of plant assets	125,232
Donation of museum collections	773,700
Realized gain on investments—net	(653,122)
Unrealized gain on investments—net	(1,838,902)
Restricted net assets received	(3,262,135)
Changes in assets and liabilities:	
Accounts receivable	(55,806)
Contributions receivable	357,539
Other assets	(200,558)
Accounts payable and accrued expenses	<u>678,780</u>
Net cash used in operating activities	<u>(2,214,341)</u>

INVESTING ACTIVITIES:

Capitalized costs of improvements to real estate	(529,575)
Proceeds from sale of real estate held for development	2,550,316
Net increase in investments	(1,661,276)
Increase in funds invested for others	<u>584,790</u>
Net cash provided by investing activities	<u>944,255</u>

FINANCING ACTIVITIES:

Contributions for endowment funds	803,923
Contributions for temporarily restricted net assets	2,458,212
Repayment of notes payable, bonds payable, and capital lease obligation	<u>(2,036,384)</u>
Net cash provided by financing activities	<u>1,225,751</u>

DECREASE IN CASH (44,335)

CASH AND CASH EQUIVALENTS—Beginning of year 66,146

CASH AND CASH EQUIVALENTS—End of year \$ 21,811

See notes to financial statements.

UNIVERSITY OF NEW ORLEANS FOUNDATION

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of New Orleans Foundation (the "Foundation"), a registered non-profit corporation, was established in 1984 with a mission of serving the University of New Orleans (the "University") by raising private sector funds for the advancement of the University. The financial statements include the operations of the University of New Orleans Studio Center.

The financial statements of the Foundation have been prepared on the accrual basis. The significant accounting policies followed in the preparation of the accompanying financial statements are described below:

Basis of Presentation—The Foundation follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*, which establishes external financial reporting for not-for-profit organizations which includes three basic financial statements and the classifications of resources into three separate classes of net assets as follows:

- **Unrestricted**—Net assets which are free of donor-imposed restrictions; all revenues, expenses, gains, and losses that are not changes in permanently or temporarily restricted net assets.
- **Temporarily Restricted**—Net assets whose use by the Foundation is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the Foundation pursuant to those stipulations.
- **Permanently Restricted**—Net assets whose use by the Foundation is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the Foundation.

Contributions—Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional Promises to Give—Unconditional promises to give are recognized as revenue in the period received. Promises to give are recorded at their realizable value if they are expected to be collected in one year and at their fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. An allowance for doubtful accounts has been established based on management's assessment of collectibility.

Use of Estimates—The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments—Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, are allocated equitably to the participating funds. Investment gains on restricted net assets are classified consistent with the related investment income unless specific donor or legal restrictions dictate otherwise.

Real Estate—Real estate is held for investment, development or sale purposes and is recorded at cost or fair market value on the date donated. Real estate (excluding land) is depreciated over 40 years on a straight-line basis. Certain real estate investments are being actively marketed for sale.

Plant Assets and Depreciation—Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on date of donation, net of accumulated depreciation. Depreciation of buildings, furnishings and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from three years for vehicles and equipment to 40 years for buildings.

Museum Collections—During 2005, the Foundation donated to the National D-Day Museum and Ogden Museum collections it previously held, which consisted of a replica of the Higgins landing craft constructed for the Foundation through donated labor and materials as well as various archeological or art exhibits owned by the Foundation, respectively.

Funds Invested for Others—Funds invested for others represent funds held in trust for others. These amounts are not owned by the Foundation and the related net income is not earned by the Foundation, but is added directly to the assets of the funds invested for others (see Note 11). The Foundation considers all matching funds and unexpended income from these funds as amounts held in custody for others.

Fundraising Expenses—All expenses associated with fundraising activities are expensed as incurred, including any expenses related to fundraising appeals in a subsequent year. For the year ended June 30, 2005, total supporting services expenses related to fundraising were \$542,807.

Income Taxes—Income taxes have not been provided for in the financial statements as the Foundation was organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is, therefore, of tax exempt status.

2. INVESTMENTS

Investments are composed of the following at June 30, 2005:

	Market
Corporate stocks	\$ 18,127,988
Mutual funds—equities	10,021,489
Corporate bonds	4,657,649
U.S. government obligations	9,731,993
Money market funds	5,252,302
Insurance contracts	<u>2,415,401</u>
	<u>\$ 50,206,822</u>

Investments are reported in the accompanying statement of financial position as follows:

Investments—short-term, primarily money market funds	\$ 1,130,743
Restricted investments—noncurrent	48,950,668
Other noncurrent investments	<u>125,411</u>
	<u>\$ 50,206,822</u>

Investment income is reported net of investment expenses in the accompanying financial statements. Net investment income is comprised of the following at June 30, 2005:

Interest and dividends	\$ 830,676
Realized gains	653,122
Unrealized gains—net	1,838,902
Investment expenses	<u>(125,299)</u>
	<u>\$ 3,197,401</u>

3. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category and are stated at fair value based on the discounted present value of expected future cash flows.

Contributions receivable are expected to be realized in the following periods:

In one year or less	\$ 641,500
Between one year and five years	627,000
More than five years	<u>531,037</u>
	1,799,537
Less present value discount of \$296,001 (5% discount rate) and allowance for uncollectible pledges of \$209,359	<u>(505,360)</u>
	<u>\$ 1,294,177</u>

Contributions receivable at June 30, 2005, have the following restrictions:

Temporarily restricted by donor imposed stipulations for university programs, activities, and building construction	\$ 799,950
Endowment for university programs and activities	<u>494,227</u>
	<u>\$ 1,294,177</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following components at June 30, 2005:

Real estate held for investment, development, or sale	\$ 9,594,931
Plant assets	<u>443,086</u>
	<u>\$ 10,038,017</u>

5. REAL ESTATE HELD FOR INVESTMENT, DEVELOPMENT OR SALE

In November 1993, the Foundation acquired by donation a 120,000 square foot office building located in downtown New Orleans valued at approximately \$2.4 million. The building was subsequently upgraded to house the University of New Orleans Technology Enterprise Center. The University and other state agencies occupy approximately 78% of the building. Non-profits occupy 3% and small and/or minority businesses occupy the remaining 19% in a business incubator for new and growing businesses.

On December 30, 1994, the Foundation purchased a complex of buildings in the Lee Circle area of downtown New Orleans from a private company. The properties were purchased for \$3.2 million, which was entirely financed by a local bank. The seller of the properties is leasing back a portion of the available space to use as corporate offices for \$32,522 per month through 2019, periodically adjusted for increases or decreases in the prevailing rate of a five year treasury note. Most of the remainder of the property will be used for the Ogden Museum of Southern Art ("Museum") and to support the teaching mission of the UNO Fine Arts Department. A capital campaign is being conducted to raise the necessary funds to complete development of these properties by the Ogden Museum of Southern Art, Inc., a separate 501(c)3 corporation created to operate and support the Museum. During September 2004, the Foundation amended a lease agreement related to its Lee Circle properties and received an advance lease payment of \$600,000 with the understanding that title to the property would transfer to the lessee at some time prior to 2014. As a result of the terms, the advance lease payment has been characterized as a sale for financial reporting purposes. Therefore, the Foundation recorded this as a sale of property and recorded a gain of approximately \$343,000.

The Ogden Museum project has been segregated into two phases: Goldring Hall and the Patrick F. Taylor Memorial Library, both of which will be used as art exhibition facilities. Goldring Hall was constructed using a combination of grants from the State of Louisiana and private funds. During 1999, the Foundation transferred to the University land held for the Ogden Museum development with a carrying value of \$322,025 and funds of \$2,418,000 representing amounts previously collected from donors to fund the Museum's development. Goldring Hall opened on August 23, 2003.

The Patrick F. Taylor Memorial Library phase of the Ogden Museum is being financed with private funds. Through June 30, 2005, the Foundation had expended \$3,582,170 in construction related costs to renovate this historic building. Work on the renovation was suspended in 2003 to allow for the securing of additional private funding to complete the project. As of June 30, 2005, a separate board to govern the Ogden Museum (the "Museum Board") is functioning and the Foundation is no longer funding or operating the Museum. The Foundation intends to make Taylor Library available to the Museum Board for completion of renovations by the Museum Board.

In December 1996, an act of donation was executed whereby a collection of artwork was donated to the Foundation contingent on completion of an appropriate Museum structure to showcase the artwork. The donor is to maintain custody of the artwork until the Ogden museum is completed. The donor agreed to maintain insurance against loss or damage of the artwork, designating the Foundation as the named insured. A significant portion of the donor's artwork has been loaned to the Museum for display in the Goldring Hall portion of the Museum. In 2004, the Foundation and the donor modified their understanding to clarify that the remainder of the artwork would be donated and title would be transferred by 2006, assuming that the Taylor Library has been completed by that time and the tunnel connecting the Taylor Library to Goldring Hall is then operational. As of June 30, 2005, the fair value of the artwork has not been established and the Taylor Library remains incomplete. Due to the contingent nature of the ultimate gift of the artwork, no amount has been recorded in the financial statements related to this proposed gift.

In July 2001, the Foundation purchased the land and building of the University of New Orleans Studio Center (the "Studio Center") from a private company. The properties were purchased for approximately \$1.8 million, which was entirely financed through the issuance of bonds (see Note 7). The Foundation has entered into a cooperative endeavor agreement with the University, whereby the University reimburses the Foundation approximately \$200,000 annually for the use of the Studio Center.

In October 2002, the Foundation purchased a parking lot which is located in the vicinity of the Ogden Museum from a private company. The proceeds from a note payable in the amount of \$2,200,000 were used to purchase the parking lot, as well as to pay for an existing debt owed to a contractor for work performed on the parking lot. During July 2004, this parking lot together with adjacent property was sold. The proceeds from the sale were approximately \$2 million and were used to pay down the note payable (see Note 7). The Foundation recorded a loss of approximately \$468,000 related to this sale.

During November 2003, the Foundation entered into an agreement to lease certain real estate to a third party for no rent for ten years. The Foundation intends to make this real estate available to the Museum Board in order for the Museum Board to build a tunnel connecting the two exhibition facilities within the Ogden Museum: Goldring Hall and the Taylor Library. At the earlier of the tunnel being completed or the end of the lease term, the ownership of the real estate will be transferred to the third party at no cost to the third party. The Foundation will retain and make available to the Museum Board a right of access to the tunnel portion of the property. Since the Foundation will receive no annual rent or cash proceeds for the real estate, the net book value of the real estate of \$400,923 was written-off at June 30, 2004.

At June 30, 2005, real estate held for investment, development, or sale consists of the following:

Technology Enterprise Center	\$ 2,768,065
Film Studio Center	3,060,466
Lee Circle Properties:	
Taylor Library—construction in progress	3,582,170
Land and commercial buildings	<u>1,719,700</u>
	11,130,401
Less accumulated depreciation	<u>(1,535,470)</u>
	<u>\$ 9,594,931</u>

6. PLANT ASSETS AND DEPRECIATION

At June 30, 2005, plant assets consisted of the following:

Land	\$ 129,000
Buildings	373,156
Equipment	658,216
Vehicles	<u>29,513</u>
	1,189,885
Less accumulated depreciation	<u>(746,799)</u>
	<u>\$ 443,086</u>

The property and assets shown above are owned by the Foundation but the majority of these assets are used by the University of New Orleans in support of its educational and research activities.

7. NOTES AND BONDS PAYABLE

Notes and bonds payable at June 30, 2005, consist of the following:

Note payable to a bank, payable in full in March 2006. The note bears interest at a variable rate (6.25% at June 30, 2005) and is secured by real estate held for investment, development or sale (Note 5)	\$ 3,544,219
Bond payable to a bank, interest is payable semi-annually, principal is due in annual installments ranging from \$95,000 to \$188,000. A portion of the principal balance totaling \$851,000 bears interest at 5.3%. The remaining portion bears interest at 7.5%. These bonds are secured by land and building related to the film studio.	<u>1,724,000</u>
Total	5,268,219
Less amounts payable currently	<u>3,650,219</u>
Long-term portion	<u>\$ 1,618,000</u>

Annual maturities of long-term debt are as follows:

Years Ending June 30	Amount
2006	\$ 3,650,219
2007	111,000
2008	118,000
2009	124,000
2010	131,000
Thereafter	<u>1,134,000</u>
Total	<u>\$ 5,268,219</u>

Interest paid during 2005, all of which was charged to operations, was \$431,454.

The Foundation intends to refinance its current obligations during 2006 on a long-term basis.

8. CAPITALIZED LEASES

The Foundation leases building equipment under long-term leases. Future minimum payments for capitalized leases as of June 30, 2005, are as follows:

Years Ending June 30	
2006	\$ 49,393
2007	49,393
2008	49,393
2009	49,393
2010	49,393
Subsequent to 2010	<u>794,988</u>
Total minimum lease payments	1,041,953
Lease amount representing interest	<u>(256,033)</u>
Present value of minimum lease payments	<u>\$ 785,920</u>

At June 30, 2005, the net book value of assets recorded under capital leases amounted to:

Building equipment	\$ 968,626
Less accumulated amortization	<u>(161,287)</u>
	<u>\$ 807,339</u>

The related building equipment is a component of the University of New Orleans Technology Enterprise Center (see Note 5).

9. NET ASSETS

Temporarily and permanently restricted net assets are restricted to the following at June 30, 2005:

Temporarily restricted:	
Building funds	\$ 2,109,150
Scholarships	736,723
Faculty—salary supplements	94,838
Research	759,193
Educational studies—program	1,146,887
Departmental development	<u>3,367,225</u>
Total temporarily restricted	<u>\$ 8,214,016</u>
Permanently restricted:	
Scholarships	\$ 2,894,333
Faculty—salary supplements	2,194,281
Research	11,863,836
Educational studies—program	11,697,236
Departmental development	<u>1,641,604</u>
Total permanently restricted	<u>\$ 30,291,290</u>

10. NET ASSETS RELEASED FROM RESTRICTION

Net assets were released from donor restrictions during fiscal year 2005 by incurring expenses satisfying the restricted purposes specified by donors as set forth below:

Purpose restrictions accomplished:	
Program services	\$5,506,754
General and administrative	86,667
Fund raising	47,375
Equipment purchases	<u>480,809</u>
	<u>\$6,121,605</u>

11. THE LOUISIANA ENDOWMENT TRUST FUND FOR EMINENT SCHOLARS

One of the Foundation's primary objectives is to raise funds to provide endowed professorships and chairs to the University. The Louisiana Endowment Trust Fund for Eminent Scholars was created by the Louisiana legislature in 1983 to provide state funds as a challenge grant to eligible public and private institutions which would be responsible for providing matching funds obtained from gifts. Endowed professorships are established at \$100,000 and endowed chairs at \$1,000,000, with the State providing 40% of the funding once the Foundation has acquired 60% of the principal through private gifts. The University is allowed to apply for the 40% match while maintaining the 60% private gift in the Foundation. Investment earnings on such funds which are unspent in a given year are transferred back to permanently restricted net assets for reinvestment to benefit future periods. Funds are pooled for investment purposes in the Foundation, but the State's 40% match is recognized as a liability to the University under the caption "Funds Invested For Others." The balance of funds invested for others at June 30, 2005, that was attributable to the Eminent Scholars Program was \$12,304,539.

12. PROGRAM EXPENSES

Program expenses during the year ended June 30, 2005, were incurred for:

	Program Support	Property Operations	Total Expenses
Transfer to University/Alumni	\$2,170,850	\$ -	\$2,170,850
Interest expense		145,657	145,657
Contract services	1,305,110	50,391	1,355,501
Official functions (entertainment)	316,414	4,102	320,516
Personnel costs	45,785	111,217	157,002
Property maintenance and rent	301,336	240,433	541,769
Office supplies and services	174,363	4,537	178,900
Professional fees	406,782	48,204	454,986
Utilities	12,774	101,200	113,974
Other miscellaneous expenses	<u>1,186,723</u>	<u>31,452</u>	<u>1,218,175</u>
	<u>\$5,920,137</u>	<u>\$737,193</u>	<u>\$6,657,330</u>

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

13. RELATED PARTY TRANSACTIONS

The Foundation administers the financial assets and maintains the financial records of The School Leadership Center, the UNO International Alumni Association, the Privateer Athletic Foundation, the UNO Property and Housing Development Foundation, and other entities affiliated with the University. Amounts held in custody for others included in current liabilities amounting to \$1,459,547 at June 30, 2005, represent funds collected by the Foundation on behalf of these affiliates in excess of expenditures made on behalf of these affiliates.

In the normal course of business, the Foundation reimburses the University for certain expenses. Included in expenses for 2005 is \$327,280 which represents reimbursements due to the University. At June 30, 2005, funds due to the University totaled \$711,847 and funds due from the University totaled \$588,775.

At June 30, 2005, funds due from the University of New Orleans Research and Technology Foundation, which is an affiliated entity, totaled \$178,496.

During fiscal 2004, the administrative support activities for the operations of the Ogden Museum were transferred to the Museum Board (see Note 5). At June 30, 2005, the Foundation had receivables from the Museum Board totaling \$200,807. The Foundation recorded a reserve for doubtful accounts related to this receivable from the Museum Board of \$150,605 as of June 30, 2005. This estimate is based on the Foundation's consideration of factors such as past payment experience with the Museum, any known financial restrictions, and general economic conditions.

14. SUBSEQUENT EVENTS

In August 2005, Hurricane Katrina caused unprecedented damage to the New Orleans metropolitan area. Some of the Foundation's properties suffered damage from Hurricane Katrina and the subsequent flooding due to levee failures. The Technology Enterprise Center and the Chevron Building, which is used as a research facility by University faculty, both experienced flooding. The film studio properties received minor wind damage.

These properties are insured by the State of Louisiana Office of Risk Management ("ORM") and *management expects to recover most or all of the cost of repairing the facilities. Tenants of the properties are responsible for their contents; the Foundation will, however, assist them through its remediation and repair contracts. Management expects all facilities to be restored to working order with the possible exception of the Chevron Building.*

The Foundation will not receive rent for the period during which the damaged properties are not able to be occupied by tenants. Management expects to recover most of the net revenue lost through ORM's business interruption insurance; however, some tenants may be lost due to relocation.

* * * * *

ADDITIONAL INFORMATION



Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700
USA
Tel: +1 504 581 2727
Fax: +1 504 561 7293
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information on pages 17 through 27 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information was prepared to provide the LSU System with the Foundation's Statement of Financial Position and Statement of Activities in an alternative format to meet the requirements of the Office of Statewide Reporting and Accounting Policy and such information is not a required part of the basic financial statements. This additional information is the responsibility of the Foundation's management. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

November 11, 2005

**Louisiana State University System
University of New Orleans Foundation
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005**

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 21,811
Investments	1,130,743
Accounts receivable, net	375,055
Pledges receivable	641,500
Due from other campuses	588,775
Due from State Treasury	-
Inventories	27,824
Deferred charges and prepaid expenses	41,415
Notes receivable	-
Other current assets	168,356
Total current assets	<u>2,995,479</u>
Noncurrent Assets	
Restricted assets:	
Cash and cash equivalents	-
Investments	48,950,668
Accounts receivable, net	-
Notes receivable	-
Other	-
Investments	125,411
Pledges receivable	652,677
Notes receivable	-
Capital assets, net	10,038,017
Assets under capital leases, net	807,339
Other noncurrent assets	114,579
Total noncurrent assets	<u>60,688,691</u>
Total assets	<u>63,684,170</u>
LIABILITIES	
Current Liabilities	
Accounts payable and accrued liabilities	773,654
Due to other campuses	711,847
Due to State Treasury	-
Deferred revenues	2,291
Amounts held in custody for others	1,459,547
Compensated absences payable	-
Capital lease obligations	20,494
Notes payable	3,544,219
Contracts payable	-
Bonds payable	106,000
Other current liabilities	-
Total current liabilities	<u>6,618,052</u>
Noncurrent Liabilities	
Amounts held in custody for others	12,304,539
Compensated absences payable	-
Capital lease obligations	765,426
Notes payable	-
Contracts payable	-
Bonds payable	1,618,000
Other noncurrent liabilities	-
Total noncurrent liabilities	<u>14,687,965</u>
Total liabilities	<u>21,306,017</u>
NET ASSETS	
Invested in capital assets, net of related debt	4,791,217
Restricted for:	
Nonexpendable	30,291,290
Expendable	8,214,016
Unrestricted	(918,370)
Total Net Assets	<u>\$42,378,153</u>

Louisiana State University System
University of New Orleans Foundation
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2005

OPERATING REVENUES

Student tuition and fees	-
Less scholarship allowances	-
Net student tuition and fees	-
Gifts received by the foundations	-
Endowment Income (component units only)	2,700,821
Federal appropriations	-
Federal grants and contracts	228,094
State and local grants and contracts	436,652
Nongovernmental grants and contracts	200,000
Sales and services of educational departments	113,767
Hospital income	-
Auxiliary enterprise revenues, including revenues pledged as security for bond issues	-
Less scholarship allowances	-
Net auxiliary revenues	-
Other operating revenues	2,788,954
Total operating revenues	6,468,288

OPERATING EXPENSES

Educational and general	-
Instruction	-
Research	-
Public service	-
Academic support	-
Student services	-
Institutional support	-
Operation and maintenance of plant	-
Scholarships and fellowships	-
Auxiliary enterprises	-
Hospital	-
Other operating expenses	2,646,913
Total operating expenses	2,646,913
Operating income (loss)	3,821,375

NONOPERATING REVENUES AND (EXPENSES)

State appropriations	-
Gifts	2,608,323
Net investment income (loss)	621,879
Interest expense	(469,526)
Payments to or on behalf of the university	(5,920,137)
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	(3,159,461)
Income before other revenues, expenses, gains, and losses	661,914
Capital appropriations	-
Capital gifts and grants	-
Additions to permanent endowments	803,923
Other additions, net	-
Increase (decrease) in net assets	1,465,837
Net assets at beginning of year	40,912,316
Net assets at end of year	42,378,153

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPORTING FOOTNOTES AND SCHEDULES OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY FORMAT AS OF AND FOR THE YEAR ENDED JUNE 30, 2005

The following footnotes and schedules are presented at the request of the LSU System to facilitate the presentation of combined financial statements in conformity with requirements of the Office of Statewide Reporting and Accounting Policy. The information presented does not purport to present all disclosures necessary for a full understanding of the Foundation's financial condition and changes in its net assets. The basic financial statements on pages 2 through 14 should be reviewed for a more complete understanding.

NOTE A.15 DESCRIPTION OF FOUNDATION

The University of New Orleans Foundation is a legally separate, tax exempt organization supporting the LSU System, specifically the following campus: University of New Orleans. This Foundation was included in the University's financial statements because its assets equaled 3% or more of the assets of the university system it supports.

During the year ended June 30, 2005, the University of New Orleans Foundation made distributions to or on behalf of the University for both restricted and unrestricted purposes in the amount of \$5,920,137.

Complete financial statements for the University of New Orleans Foundation can be obtained from 2000 Lakeshore Drive, New Orleans, LA 70148 or from the Foundation's website at: www.unofoundation.org.

The University of New Orleans Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's financial information in the University's financial report for these differences.

NOTE E. CAPITAL ASSETS

SCHEDULE OF CAPITAL ASSETS (schedule includes capital leases)

	Balance 6/30/2004	Prior Period Adjustment	Restated Balance 6/30/2004	Additions	Transfers	Retirements	Balance 6/30/2005
Capital assets not being depreciated							
Land	\$ 3,876,224	\$ -	\$ 3,876,224	\$ -	\$ -	\$ (371,580)	\$ 3,504,644
Non-depreciable land improvements							
Capitalized collections	773,700		773,700			(773,700)	-
Livestock							-
Construction in progress	94,861		94,861	477,525			572,386
Total capital assets not being depreciated	<u>\$ 4,744,785</u>	<u>\$ -</u>	<u>\$ 4,744,785</u>	<u>\$ 477,525</u>	<u>\$ -</u>	<u>\$ (1,145,280)</u>	<u>\$ 4,077,030</u>
Other capital assets							
Infrastructure	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less accumulated depreciation							
Total infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Depreciable land improvements							
Less accumulated depreciation							
Total land improvements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Buildings	10,920,960		10,920,960	52,049		(2,448,855)	8,524,154
Less accumulated depreciation	(1,696,516)		(1,696,516)	(207,969)		144,888	(1,759,597)
Total buildings	<u>9,224,444</u>	<u>-</u>	<u>9,224,444</u>	<u>(155,920)</u>	<u>-</u>	<u>(2,303,967)</u>	<u>6,764,557</u>
Equipment	711,882		711,882				711,882
Less accumulated depreciation	(701,286)		(701,286)	(6,827)			(708,113)
Total equipment	<u>10,596</u>	<u>-</u>	<u>10,596</u>	<u>(6,827)</u>	<u>-</u>	<u>-</u>	<u>3,769</u>
Library books							
Less accumulated depreciation							
Total library books	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other capital assets	<u>\$ 9,235,040</u>	<u>\$ -</u>	<u>\$ 9,235,040</u>	<u>\$ (162,747)</u>	<u>\$ -</u>	<u>\$ (2,303,967)</u>	<u>\$ 6,768,326</u>
Capital Asset Summary:							
Capital assets not being depreciated	\$ 4,744,785	\$ -	\$ 4,744,785	\$ 477,525	\$ -	\$ (1,145,280)	\$ 4,077,030
Other capital assets, at cost	11,632,842	-	11,632,842	52,049	-	(2,448,855)	9,236,036
Total cost of capital assets	<u>16,377,627</u>	<u>-</u>	<u>16,377,627</u>	<u>529,574</u>	<u>-</u>	<u>(3,594,135)</u>	<u>13,313,066</u>
Less accumulated depreciation	<u>(2,397,802)</u>	<u>-</u>	<u>(2,397,802)</u>	<u>(214,796)</u>	<u>-</u>	<u>144,888</u>	<u>(2,467,710)</u>
Capital assets, net	<u>\$ 13,979,825</u>	<u>\$ -</u>	<u>\$ 13,979,825</u>	<u>\$ 314,778</u>	<u>\$ -</u>	<u>\$ (3,449,247)</u>	<u>\$ 10,845,356</u>

NOTE I. BONDS & NOTES PAYABLE & CAPITAL LEASES

	Balance June 30, 2004	Additions	Reductions	Balance at June 30, 2005	Amounts due within one year
Bonds & notes payable & capital leases:					
Bonds payable	\$ 1,824,000	\$	\$ 100,000	\$ 1,724,000	\$ 106,000
Notes payable	5,450,000		1,905,781	3,544,219	3,544,219
Capital lease obligations	816,523		30,603	785,920	20,494
Total bonds, notes and capital leases	8,090,523	-	2,036,384	6,054,139	3,670,713
Other liabilities:					
Amounts held in custody for others	13,013,430	750,656		13,764,086	1,459,547
Compensated absences payable				-	
Contracts payable				-	
Total other liabilities	13,013,430	750,656	-	13,764,086	1,459,547
Total long-term liabilities	\$ 21,103,953	\$ 750,656	\$ 2,036,384	\$ 19,818,225	\$ 5,130,260

A detailed summary, by issues, of all debt outstanding at June 30, 2005, including outstanding interest of \$55,793 is shown on Schedule 1. Schedule 2 is an amortization schedule of the outstanding debt.

NOTE P. CAPITAL LEASES

Nature of lease	Date of lease	Amount of leased assets (historical cost)	Last payment date	Remaining interest to end of lease	Remaining principal to end of lease
a. Office space	03/01/00	\$ 968,626	10/01/19	\$ 256,033	\$ 785,920
b. Equipment					
c. Land					
Total assets under cap. lease		\$ 968,626		\$ 256,033	\$ 785,920

The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2005.

Year ending June 30:

2006	\$ 49,393
2007	49,393
2008	49,393
2009	49,393
2010	49,393
2011-2015	246,963
2016-2020	548,025
2021-2025	
	-
Total minimum lease payments	1,041,953
Less: amounts representing executory costs	-
Net minimum lease payments	1,041,953
Less: amounts representing interest	256,033
Present value - net minimum lease payments	785,920

NOTE Q. RESTRICTED NET ASSETS

The following represents the components of temporarily and permanently restricted net assets at June 30, 2005:

Temporarily restricted:

Chairs and professorships	\$ 94,838
Scholarships and fellowships	736,723
Specific academic and research projects	3,367,225
Academic support	1,146,887
Capital outlay and improvements	2,109,150
Research support	759,193
Institutional support	
Bond restrictions	
Donor restrictions	
Restricted contributions receivable	
Artifacts	
	<hr/>
Total temporarily restricted	<u>\$ 8,214,016</u>

Permanently restricted:

Chairs and professorships	\$ 2,194,333
Scholarships and fellowships	2,894,281
Specific academic and research projects	1,641,604
Academic support	11,697,236
Capital outlay and improvements	
Research support	11,863,836
Institutional support	
Endowment funds	
Faculty - salary supplements	
	<hr/>
Total permanently restricted	<u>\$ 30,291,290</u>

SCHEDULE 1-A BONDS PAYABLE

STATE OF LOUISIANA

Louisiana State University System
University of New Orleans Foundation
SCHEDULE OF BONDS PAYABLE
June 30, 2005

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/04	(Redeemed) Issued	Principal Outstanding 6/30/05	Interest Rates	Interest Outstanding 6/30/05
Regions Bank	07/11/01	2,000,000	1,824,000	(100,000)	\$ 1,724,000	7.5	\$ 38,072
Total		\$ 2,000,000	\$ 1,824,000	\$ (100,000)	\$ 1,724,000	\$	\$ 38,072

SCHEDULE 1-C NOTES PAYABLE

STATE OF LOUISIANA

Louisiana State University System
University of New Orleans Foundation
SCHEDULE OF NOTES PAYABLE
June 30, 2005

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/04	(Redeemed) Issued	Principal Outstanding 6/30/05	Interest Rates	Interest Outstanding 6/30/05
Whitney National Bank	Mar-04	5,450,000	5,450,000	(1,905,781)	\$ 3,544,219	6.25%	17,721
Total		\$ 5,450,000	\$ 5,450,000	\$ (1,905,781)	\$ 3,544,219	\$	\$ 17,721

SCHEDULE 2-A BONDS PAYABLE AMORTIZATION

University of New Orleans Foundation

Schedule of Bonds Payable Amortization
for the Year Ended June 30, 2005

Fiscal Year Ending	Principal	Interest	Total
2006	106,000	88,563	194,563
2007	111,000	82,812	193,812
2008	118,000	76,744	194,744
2009	124,000	70,331	194,331
2010	131,000	63,574	194,574
2011	138,000	56,445	194,445
2012	145,000	48,946	193,946
2013	153,000	41,049	194,049
2014	161,000	32,728	193,728
2015	170,000	23,956	193,956
2016	179,000	14,708	193,708
2017	188,000	4,982	192,982
2018			0
2019			0
2020			0
TOTAL	\$1,724,000	\$604,838	\$2,328,838

List the terms by which interest rate changes for variable-rate debt:

A portion of the principal balance totaling \$851,000 currently bears interest at 5.3%. Such rate is subject to readjustment at August 1, 2006 and August 1, 2011 at a discount from a specified index rate.

SCHEDULE 2-B NOTES PAYABLE AMORTIZATION

University of New Orleans Foundation

Schedule of Notes Payable Amortization for the Year Ended June 30, 2005

Fiscal Year Ending	Principal	Interest	Total
2006	3,544,219	152,000	3,696,219
2007			0
2008			0
2009			0
2010			0
2011-2015			0
2016-2020			0
2021-2025			0
2026-2030			0
2031-2035			0
TOTAL	\$3,544,219	\$152,000	\$3,696,219

List the terms by which interest rate changes for variable-rate debt:

The variable rate changes monthly based on the prime rate.

SCHEDULE 2-C CAPITAL LEASE AMORTIZATION

University of New Orleans Foundation

SCHEDULE OF CAPITAL LEASE AMORTIZATION

For the Year Ended June 30, 2005

Fiscal Year	Beginning				
Ending	Balance	Payment	Interest	Principal	Balance
2006	785,920	49,393	28,898	20,495	765,425
2007	765,425	49,393	27,593	21,800	743,625
2008	743,625	49,393	26,204	23,189	720,436
2009	720,436	49,393	25,728	23,665	696,771
2010	696,771	49,393	22,334	27,059	669,712
2011-2015	669,712	246,963	94,096	152,867	516,845
2016-2020	516,845	548,025	31,180	516,845	(0)
2021-2025		-			-
2026-2030		-			-
2031-2035		-			-
TOTAL		1,041,953	256,033	785,920	

SUPPLEMENTAL SCHEDULES



Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700
USA

Tel: +1 504 581 2727
Fax: +1 504 561 7293
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL SCHEDULES

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules on pages 30 through 33 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Foundation's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche LLP

November 11, 2005

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—PRIVATEER ATHLETIC FOUNDATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2005

REVENUE AND SUPPORT:

Program revenues	\$ 15,761
Contributions and bequests	<u>187,344</u>

Total revenue and support	<u>203,105</u>
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EXPENSES:

Program support	111,145
General and administrative	5,801
Fund raising	<u>22,454</u>

Total expenses	<u>139,400</u>
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EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	<u>\$ 63,705</u>
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UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—UNIVERSITY OF NEW ORLEANS INTERNATIONAL ALUMNI ASSOCIATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2005

REVENUE AND SUPPORT:

Contributions and bequests	\$ 210,000
UNO Foundation support	208,807
Program revenue	<u>46,197</u>
Total revenue and support	<u>465,004</u>

EXPENSES:

Program services	106,229
General and administrative	248,049
Fund raising	<u>65,631</u>
Total expenses	<u>419,909</u>

EXCESS OF REVENUE AND SUPPORT OVER EXPENSES	<u>\$ 45,095</u>
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UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—UNIVERSITY OF NEW ORLEANS PROPERTY AND HOUSING DEVELOPMENT FOUNDATION STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2005

ASSETS

Cash	\$ 50
Accounts receivable	5,921
Real estate	2,660,215
Due from the University of New Orleans Foundation	<u>236,493</u>
TOTAL	<u>\$2,902,679</u>

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts payable	\$ 6,790
Note payable	<u>1,504,469</u>
Total liabilities	1,511,259

NET ASSETS	<u>1,391,420</u>
TOTAL	<u>\$2,902,679</u>

UNIVERSITY OF NEW ORLEANS FOUNDATION

SUPPLEMENTAL SCHEDULE—UNIVERSITY OF NEW ORLEANS PROPERTY AND HOUSING DEVELOPMENT FOUNDATION STATEMENT OF REVENUE, SUPPORT AND EXPENSES FOR THE YEAR ENDED JUNE 30, 2005

REVENUE AND SUPPORT:

Contributions and bequests	\$ 136,061
Rental Income	<u>58,898</u>

Total revenue and support	<u>194,959</u>
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EXPENSES:

General and administrative	96,583
Operating expense	37,293
Interest expense	<u>70,610</u>

Total expenses	<u>204,486</u>
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EXCESS OF EXPENSES OVER REVENUE AND SUPPORT	(9,527)
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BEGINNING NET ASSETS	<u>1,400,947</u>
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ENDING NET ASSETS	<u>\$ 1,391,420</u>
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Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700
USA

Tel: +1 504 581 2727
Fax: +1 504 561 7293
www.deloitte.com

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON THE AUDIT PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

We have audited the financial statements of the University of New Orleans Foundation (the "Foundation"), as of and for the year ended June 30, 2005, and have issued our report thereon dated November 11, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated November 11, 2005.

This report is intended for the information and use of the Board of Directors, management, others within the Foundation and officials of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte & Touche LLP

November 11, 2005

SINGLE AUDIT REPORTING



Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700
USA

Tel: +1 504 581 2727
Fax: +1 504 561 7293
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors of
University of New Orleans Foundation
New Orleans, Louisiana

Compliance

We have audited the compliance of University of New Orleans Foundation (the "Foundation"), with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to each of its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Foundation's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the Foundation's internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Foundation's internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of University of New Orleans Foundation as of and for the year ended June 30, 2005, and have issued our report thereon dated November 11, 2005. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of University of New Orleans Foundation. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the Board of Directors, management, and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Deloitte & Touche LLP

November 11, 2005

UNIVERSITY OF NEW ORLEANS FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor	Federal CFDA #	Federal Expenditures
Department of Education	84.215K	\$ 228,093
U.S. Department of Commerce (Award No. 08-01-03836)	11.300	<u>436,653</u>
		<u>\$ 664,746</u>

UNIVERSITY OF NEW ORLEANS FOUNDATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when University of New Orleans Foundation (the "Foundation"), has met the cost reimbursement or funding qualifications for the respective grants. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Accrued Reimbursement—Various reimbursement procedures are used for federal awards received by the Foundation. Consequently, timing differences between expenditures and program reimbursements exist at the beginning and end of the year.

Payments to Subrecipients—There were no payments to subrecipients for the year ended June 30, 2005.

2. DESCRIPTION OF GRANTS

Federal Department of Education

Various federal agencies provide the Foundation with funds on a reimbursement basis for expenditures incurred by the Foundation in connection with activities that meet requirements set forth in the grant agreement. Total grant awards in the prior year were \$2,552,375, with \$1,410,383 being funded. Funding from July 2004 to June 2005 amounted to \$580,756. A receivable of \$83,990 is due as of June 30, 2005.

UNIVERSITY OF NEW ORLEANS FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

SUMMARY OF THE AUDITORS' RESULTS

- An unqualified opinion was expressed on the financial statements of the auditee.
- The statement that reportable conditions in internal controls were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses is not applicable.
- The audit disclosed no instances of noncompliance that were material to the financial statements of the auditee.
- The statement that reportable conditions in internal controls over major programs were disclosed by the audit and whether any such conditions were material weaknesses is not applicable.
- An unqualified opinion was expressed on compliance with major programs.
- There were no findings which are required to be reported in accordance with Section 510(a) of Circular A-133.
- The major programs for the year ended June 30, 2005, were:
 - Department of Education
 - Department of Commerce
- The dollar threshold used to determine major programs was \$300,000.
- The auditee did qualify as a low risk auditee.

SCHEDULE OF FINDINGS RELATED TO THE FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended June 30, 2005.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

There were no findings related to the federal awards for the year ended June 30, 2005.

UNIVERSITY OF NEW ORLEANS FOUNDATION

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2005

There were no findings noted in prior year.



Deloitte & Touche LLP
Suite 3700
701 Poydras Street
New Orleans, LA 70139-3700
USA

Tel: +1 504 581 2727
Fax: +1 504 561 7293
www.deloitte.com

November 11, 2005

The Audit Committee
University of New Orleans Foundation
New Orleans, Louisiana

Dear Members of the Audit Committee:

In planning and performing our audit of the financial statements of University of New Orleans Foundation (the "Foundation") for the year ended June 30, 2005 (on which we have issued our report dated November 11, 2005), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Foundation's internal control. Our consideration of the Foundation's internal control would not necessarily disclose all matters in the Foundation's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A description of the responsibility of management for establishing and maintaining internal control, and the objectives and inherent limitations of internal control, is set forth in the attached Appendix, and should be read in conjunction with this report. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the Foundation's internal control and its operations that we consider to be material weaknesses as defined above.

We did note other matters related to the Foundation's internal control and certain other accounting, administrative, and operating matters. Our comments are presented in Exhibit I and are listed in the table of contents thereto.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the State of Louisiana Legislative Auditor and officials of applicable federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these comments with you and, if desired, to assist you in implementing any of the suggestions.

Yours truly,

Deloitte & Touche LLP

UNIVERSITY OF NEW ORLEANS FOUNDATION

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UNIVERSITY OF NEW ORLEANS FOUNDATION

ACCOUNTING, OPERATIONAL AND ADMINISTRATIVE COMMENTS

COLLECTION OF PLEDGES RECEIVABLE

Observation: We noted during the current year audit that there are several older pledges that are not being collected in accordance with their pledge agreements. A number of pledges showed no activity during the year yet the donors appear to be able to honor their original commitments. Follow-up correspondence on delinquent pledges did not reflect a consistent collection effort.

Recommendation: We recommend that a formal process be implemented to assist in the collection of the pledges. Reminders on delinquent pledges should be sent to the donor quarterly until a personal contact with the donor establishes different payment expectations. This process would allow the accounting department to maintain an understanding of the collectibility of these pledges and reflect the pledges appropriately within the financial statements.

Management's Response: Management agrees and will work with the University advancement staff to refine the processes and communication protocols related to pledges.

WRITE-OFF OF PLEDGES RECEIVABLE

Observation: We noted during the current year audit that approximately \$126,500 of older pledges were written off because these pledges were deemed uncollectible by the Foundation. In several instances these pledges appear to be due from individuals of substantial means and the impairment of the receivable due to deficient follow-up procedures. This write-off was not approved by the Foundation's Board of Directors prior to being recorded in financial statements as of June 30, 2005.

Recommendation: To provide better internal control over pledge collections, we recommend that a designated committee of the Board of Directors formally approve the write-off of pledged amounts in excess of an established threshold.

Management's Response: Management agrees and will recommend to the Executive Committee that a Board Committee be designated for approval of pledge write-offs.

DEPRECIATION OF BUILDING IMPROVEMENTS

Observation: We noted that in several instances building improvements are being depreciated using the same useful life as the related buildings. This method is due to the practice of including building improvements with the related buildings in the underlying fixed asset subsidiary ledger. For example, a new roof and air conditioning system added three years ago to the TEC Center is being depreciated over 30 years when a shorter life would be more appropriate.

Recommendation: The building improvements and building should be separated and depreciated over different useful lives in order to properly reflect the correct depreciation and useful lives of the improvements and the buildings in the financial statements. We recommend that the Accounting Department undertake a thorough review of its fixed asset records during the current year to challenge the depreciable lives used on asset categories and to insure that larger asset acquisitions are appropriately disaggregated into separate property classes, e.g., land vs. buildings, buildings vs. building improvements.

Management's Response: Management agrees and will undertake such a review during fiscal 2006.

USE OF TEMPORARILY RESTRICTED NET ASSETS

Observation: At June 30, 2005, the Foundation had accumulated temporarily restricted net assets of approximately \$8.2 million. Unlike permanently restricted funds, these temporarily restricted funds are available for immediate expenditure provided that such expenditures conform to the designated purpose.

Background: Temporarily restricted funds typically consist of the unexpended income from permanently restricted endowments, or gifts and accumulated earnings thereon which are restricted by donors for a designated purpose. There are two schools of thought concerning how such funds can be expended. Some believe that any expenditure for a purpose consistent with the restrictions imposed on temporarily restricted funds fulfills such restriction thereby requiring a reduction of such funds. Others follow the practice of treating temporarily restricted funds as emergency funds and only drawing down such funds when unrestricted funds prove insufficient to absorb an expenditure. The practice followed by the Foundation over the past several years has been inconsistent.

Furthermore, the Foundation typically follows the policy of allocating all investment income to unrestricted funds unless a donor restriction dictates otherwise. Thus, investment earnings on unexpended temporarily restricted funds are generally treated as unrestricted income and such accounting treatment is appropriate absent donor restrictions.

Recommendation: The Audit Committee of the Board together with new management at the Foundation have undertaken a reexamination of several key policies followed by the Foundation. We recommend that the policies surrounding the use of temporarily restricted funds and the allocation of investment income related to such funds be reviewed by the Audit Committee during the coming year. We further recommend that reports be prepared periodically for senior policy makers concerning the amounts of temporarily restricted funds available to fund budget priorities so that all appropriate financing options can be considered in the budgeting process.

Management's Response: Over the course of the last two years, the management of the Foundation has been developing or revising several policies. The Investment and Endowment Spending Policy currently in review by the Investment Committee will address the use of accumulated investment income earned on endowed funds and temporarily restricted funds as recommended.

MANAGEMENT'S RESPONSIBILITY FOR, AND THE OBJECTIVES AND LIMITATIONS OF, INTERNAL CONTROL

The following comments concerning management's responsibility for internal control and the objectives and inherent limitations of internal control are adapted from the Statements on Auditing Standards of the American Institute of Certified Public Accountants.

Management's Responsibility

Management is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls.

Objectives

The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America.

Limitations

Because of inherent limitations in any internal control, misstatements due to errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.